



The Role of Merger and Acquisitions in Accelerating Supply Chain Performance

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Agenda

- **Micro Economic Drivers**
 - Why deals get done – at the investor level?
- **Macro Economic Drivers**
 - Why deals get done – at the industry level?
- **The M&A Process**
 - How deals get done



Micro Economic Drivers

Why deals get done – the Investor Level



Micro Economic Drivers

Buyers buy and sellers sell to maximize shareholder value

- » Sellers sell when they perceive future value to be lower than current value
- » Buyers buy when they perceive future value to be greater than current value

Micro Economic Drivers

Some acquisitions just transfer value: $2+2 = 4$

- Transfer of value to Buyer
 - Sale price is too low (< 2)
 - Buyer gets great price
 - Seller sells to low
- Transfer of value to Seller
 - Purchase price too high (> 2)
 - Buyer overpays
 - Seller gets a great price

**A simple transfer of value has no impact
on the competitive landscape**

Micro Economic Drivers

Other acquisitions create value: $2 + 2 > 4$

- Price can be low for buyer and high for seller through the creation of “Synergies”
 - Revenue enhancement
 - Cost take-outs

A transforming merger can have a dramatic impact on the competitive landscape

Micro Economic Drivers

Synergies: “Comparable” price *can* be misleading

Boeing Acquisition of Jeppesen 2000

2000 Purchase Price	1,500,000,000
1999 Total Revenue	235,000,000
Revenue Multiple	6.38
1999 Operating Income*	61,100,000
Operating Income Multiple	24.55

The issue is value – not comparable price

**Estimated based upon Boeing press release: “Operating Margin in excess of 25%”, 26% used here.*

Macro Economic Drivers

Why Deals get done – Industry Level



Macro Economic Drivers

1. Maturing of the Industry

- Constant driver of consolidation

2. Business Cycle

- Variable driver
- Corporate profits impact rate of M&A activity

3. Liquidity

- Variable driver
- Availability of financing impacts rate of M&A activity



1. Maturing of the Industry



Macro Economic Drivers

Evolution of Commercial Aviation

- 1903 Wright Flyer makes the first successful manned and powered flight.
- 1927 Charles Lindbergh becomes first person to cross the Atlantic solo and nonstop
- 1935 DC-3 enters service (12,000 to be produced)
- 1937 Sir Frank Whittle in England and Hans von Ohain in Germany construct the first turbojet engines
- 1958 B707 enters service: START OF THE JET AGE
- 1970 B747 enters service: Dramatic reduction in cost/ASM
- 1974 A300 enters service: Further reduction in cost/ASM
- 1976 Concorde enters service



DC3



B707



B747



A300

Macro Economic Drivers

1950's-1980's: Golden Years of Commercial Aviation

- Development of a global consumer market
- Growth of intercontinental jet networks
- Advancements in airline technology and infrastructure
- Speed, comfort, and safety improvement
- Jet overtakes rail/marine as preferred mode of long-distance travel
- US Deregulation 1979



Macro Economic Drivers

This was a high growth Industry

1950 – 1975: Massive levels of capital expended to build the world's commercial aviation network



DFW 1973



IAH 1969



IAD 1962



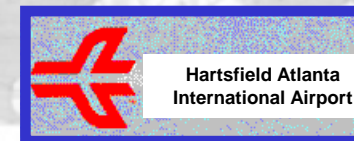
ORD 1962



PHL 1953 (main terminal)



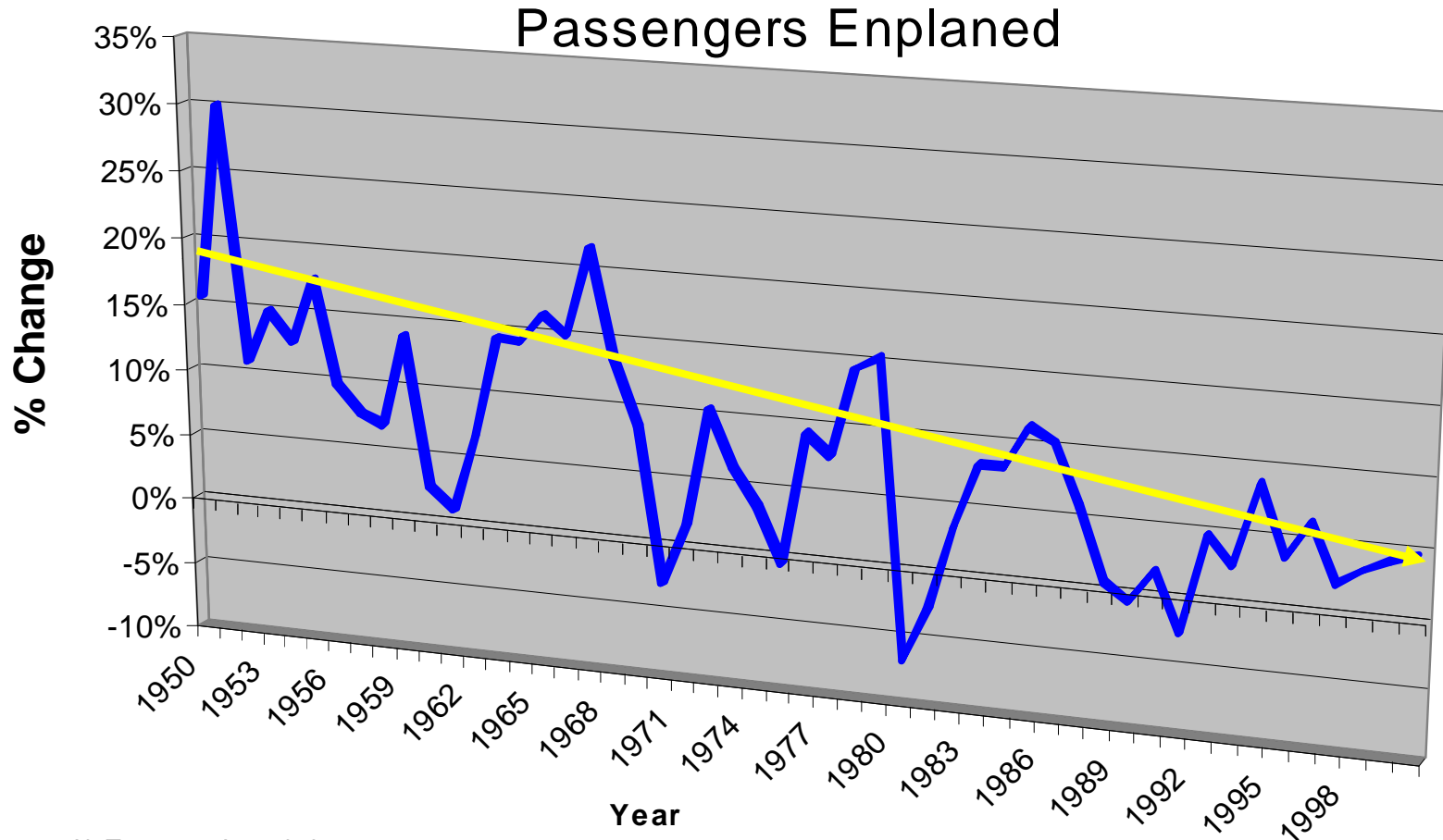
LHR 1955 (main terminal)



ATL 1961 ("Jet" terminal)

Macro Economic Drivers

But...the rate of growth began declining long ago



Source: Air Transport Association

Macro Economic Drivers

“ ...as they mature, mass markets for high-value goods and services naturally evolve into oligopolies, in which fewer than 10 competitors dominate two-thirds or more of all business. This tendency, already evident in aircraft and automobiles in the 1980s, is now manifesting itself in banking and finance, in health care, and in retail businesses from restaurants and drugstores to supermarkets and hardware chains.” *Welcome to Revolutionary Times: Accounting for an Info-Mated World*, by David Pearce Snyder in **NETWORKS** June, 1999.

Macro Economic Drivers

Alderman & Company's signs of market maturity

1. Shift in purchase selection from product attribute to price
2. Commoditization of goods and services
3. Market saturation / excess supply
4. Customer sophistication
5. Decline in rate of growth
6. Pricing transparency
7. Aging workforce

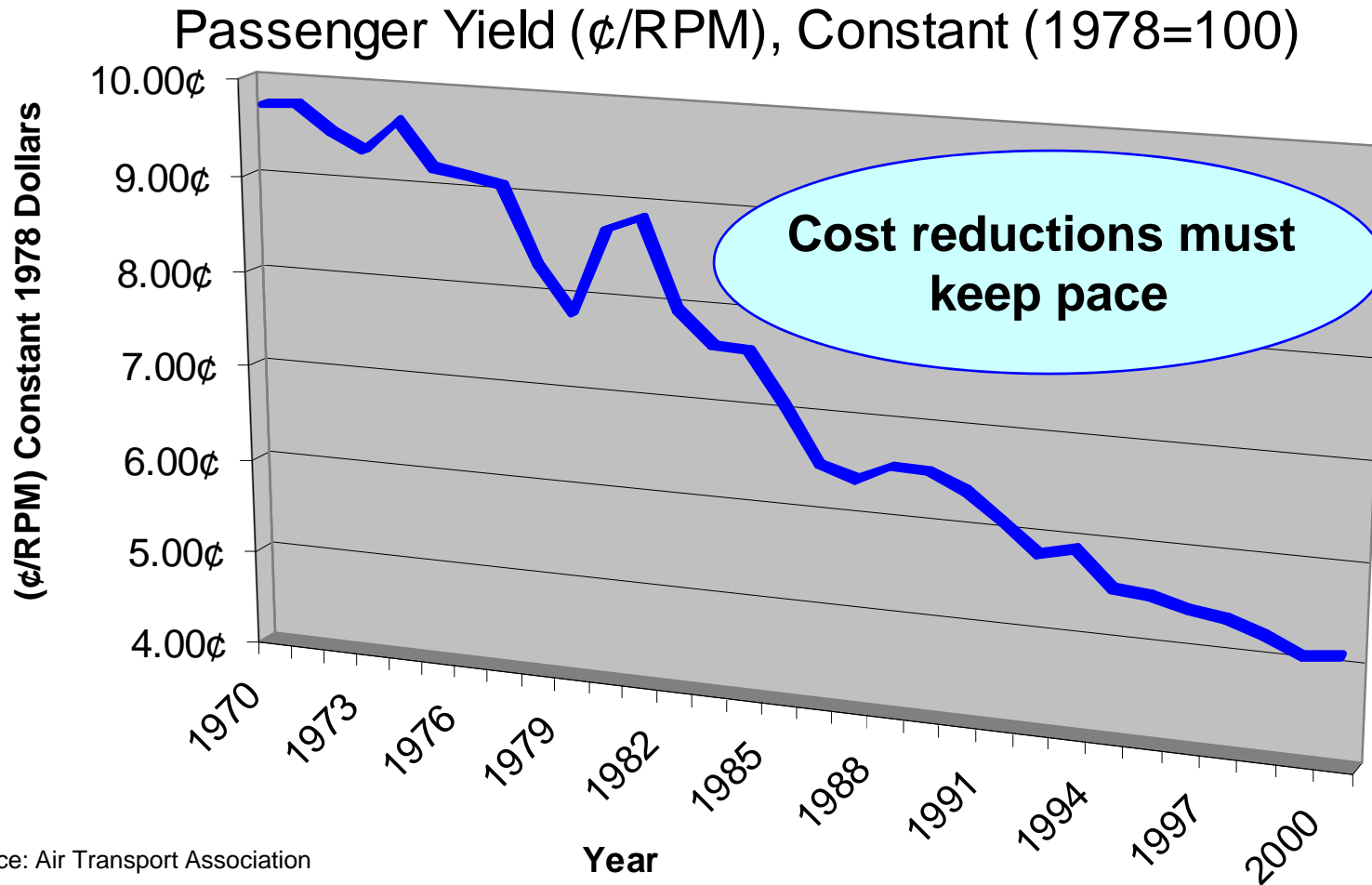


Macro Economic Drivers

Efficiency is the driver in a mature market

- The most efficient suppliers that meet the needs of the industry with acceptable quality will gain market share, generate profits, create shareholder value, and have access to the capital markets.
- Inefficient suppliers eventually will lose market share, generate losses, lose shareholder value, and be cut-off from the capital markets

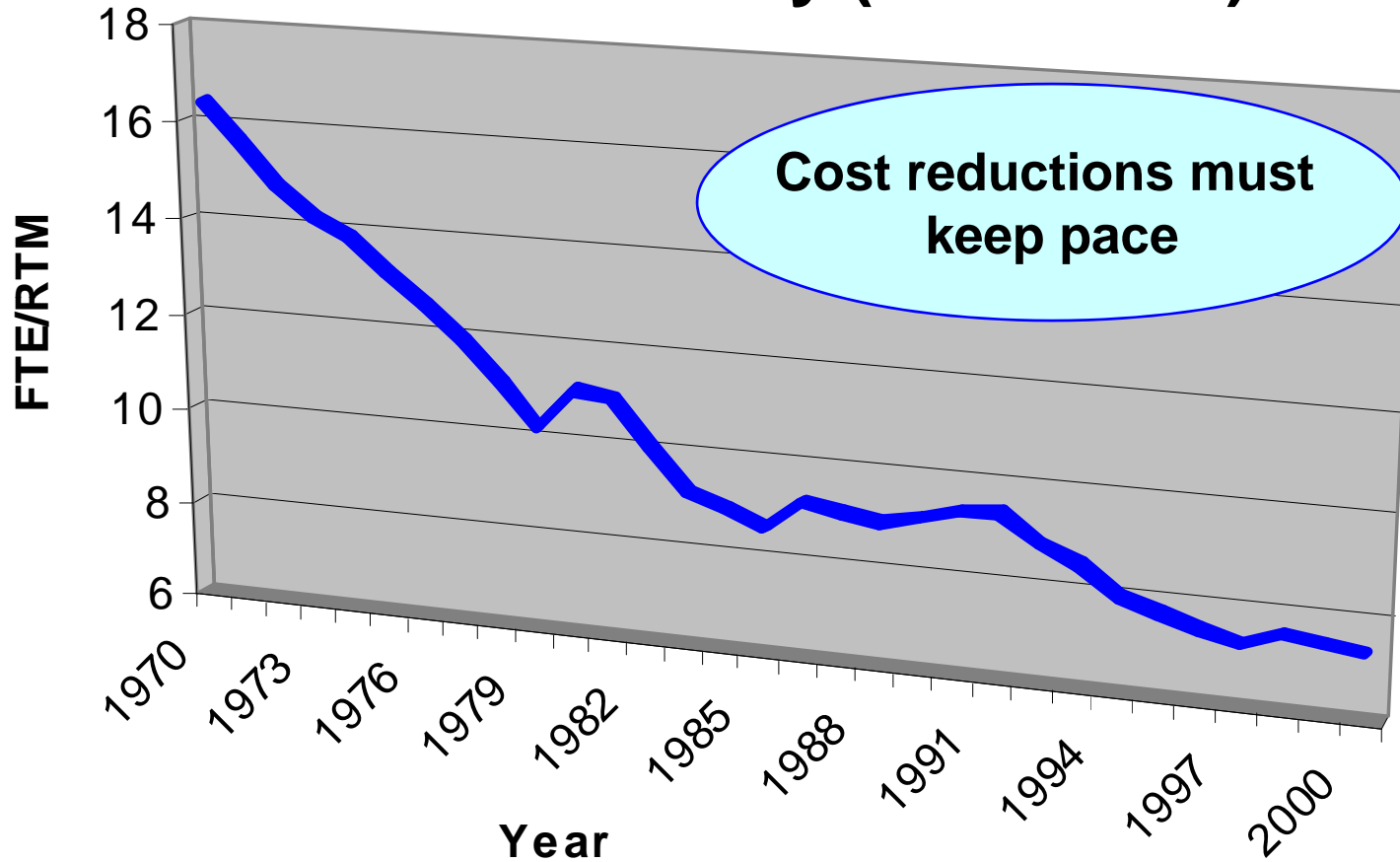
Macro Economic Drivers



Source: Air Transport Association

Macro Economic Drivers

Labor Efficiency (FTE/RTM)



Source: Air Transport Association

Macro Economic Drivers

1990's: Industry becomes highly competitive

- Deregulation / free competition take hold
- Efficient airlines and suppliers win market share



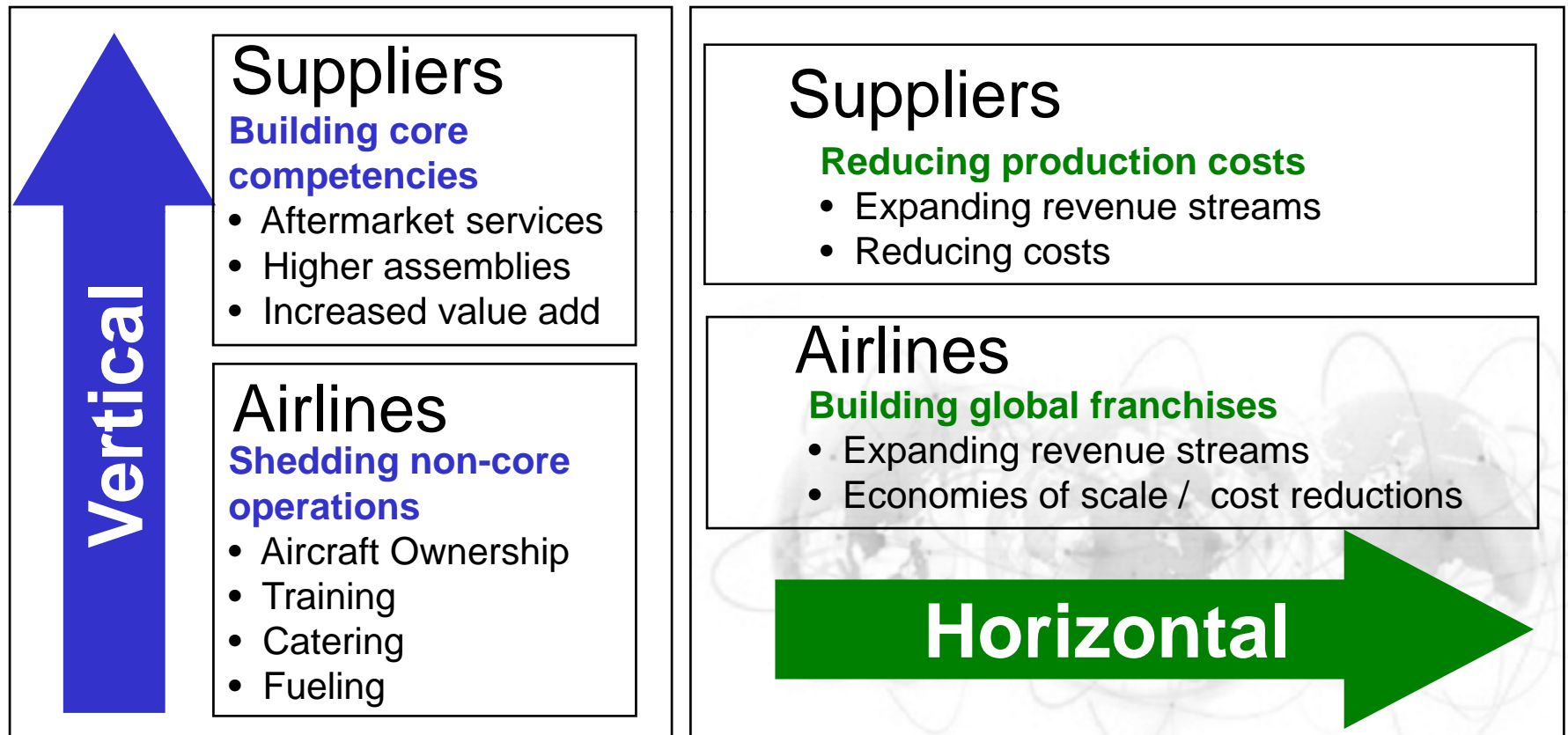
southwest

- Inefficient airlines and suppliers forced to exit market



Macro Economic Drivers

The Search for Efficiency: The Constant Driver to Consolidation



Macro Economic Drivers

Vertical Acquisitions



Aug. 15, 2000 - Continuing the expansion of its services business, The Boeing Company (NYSE: BA) announced today that it has agreed to acquire Jeppesen Sanderson, Inc., the world's leading provider of flight information services, from Tribune Company... **"We've made it clear that we are transforming Boeing into a global aerospace solutions provider, and growing our aviation services business is a major part of that transformation,"** said Phil Condit, chairman and CEO of The Boeing Company...helps us to create value through our growing services business...Boeing is focused on providing additional services to its aviation customers...offer our customers creative solutions that add real value.

Source: Boeing Press Release

Macro Economic Drivers

Vertical Acquisitions



United Technologies

CARIBE AVIATION, INC.

June 17, 2001 -- Hamilton Sundstrand has expanded its worldwide customer service capabilities with the acquisition last month of Caribe Aviation, an aircraft systems maintenance and repair operation near Miami, Florida. "The acquisition of Caribe provides us with the capability to service many components produced by other manufacturers," said Jim Peterson, vice president and general manager of customer service for Hamilton Sundstrand. Caribe's customers include Federal Express and Delta Air Lines. Peterson characterized the acquisition as **another step in the company's efforts to achieve comprehensive nose-to-tail aircraft service capabilities**. He added that Hamilton Sundstrand will continue to pursue other acquisition opportunities that would add value for customers.

Source: United Technologies Press Release

Macro Economic Drivers

Horizontal Acquisitions



KRATZ-WILDE MACHINE COMPANY
APEX MANUFACTURING

September 7, 2000 -- Barnes Group Inc. (NYSE: B) announced today that it has completed the acquisition of substantially all of the assets of Kratz-Wilde Machine Company and Apex Manufacturing Inc...leaders in the production of intricate aerospace components utilized in jet engines and aircraft systems...further reinforces our position as a leader in the production of complex aerospace parts. We are also deepening our customer relationships in the fastest-growing segments of the jet engine market, such as regional jets," said Edmund M. Carpenter, president and chief executive officer of Barnes Group Inc. **"With the closing of this transaction, we have completed three strategic acquisitions in the past year...All of the acquired businesses will enhance our ability to create shareholder value over the long term."**

Source: Barnes Group Press Release

Macro Economic Drivers

Divestitures



- TRW sale of Lucas/Aeronautical (in discussion)

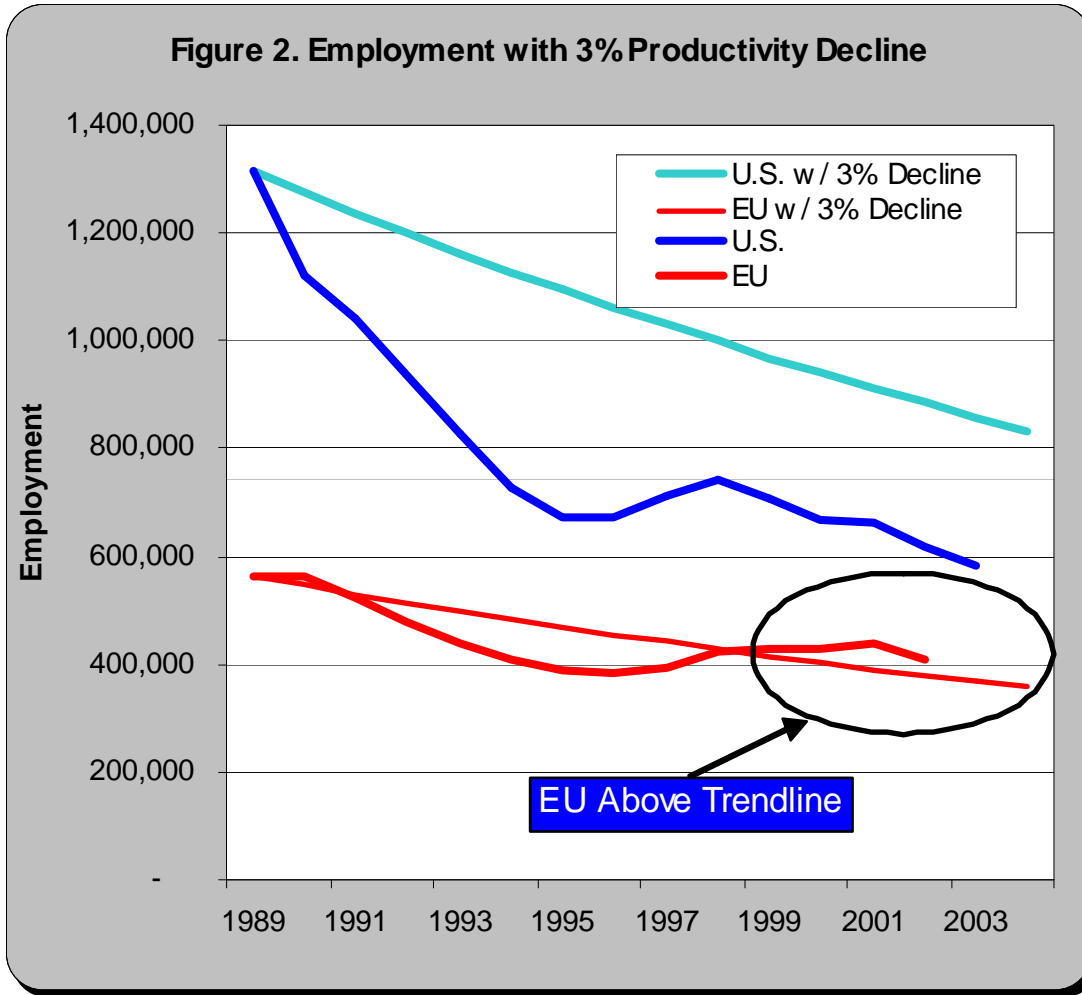


- Goodrich sale of Engineered Industrial Products (pending)



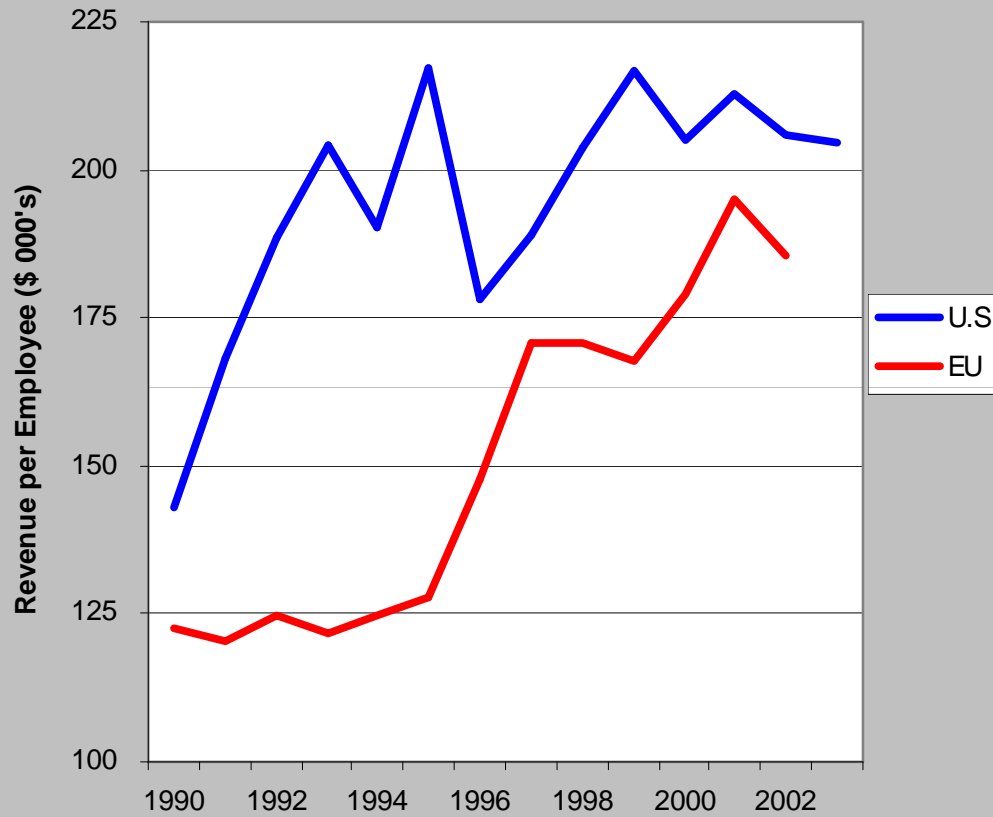
- Rockwell Spin-off of Collins (June 2001)

Figure 2. Employment with 3% Productivity Decline



Between 1989 and 2003, employment in the U.S. aerospace sector dropped by a painful 56%! In Europe, the drop was a much lower 28%.

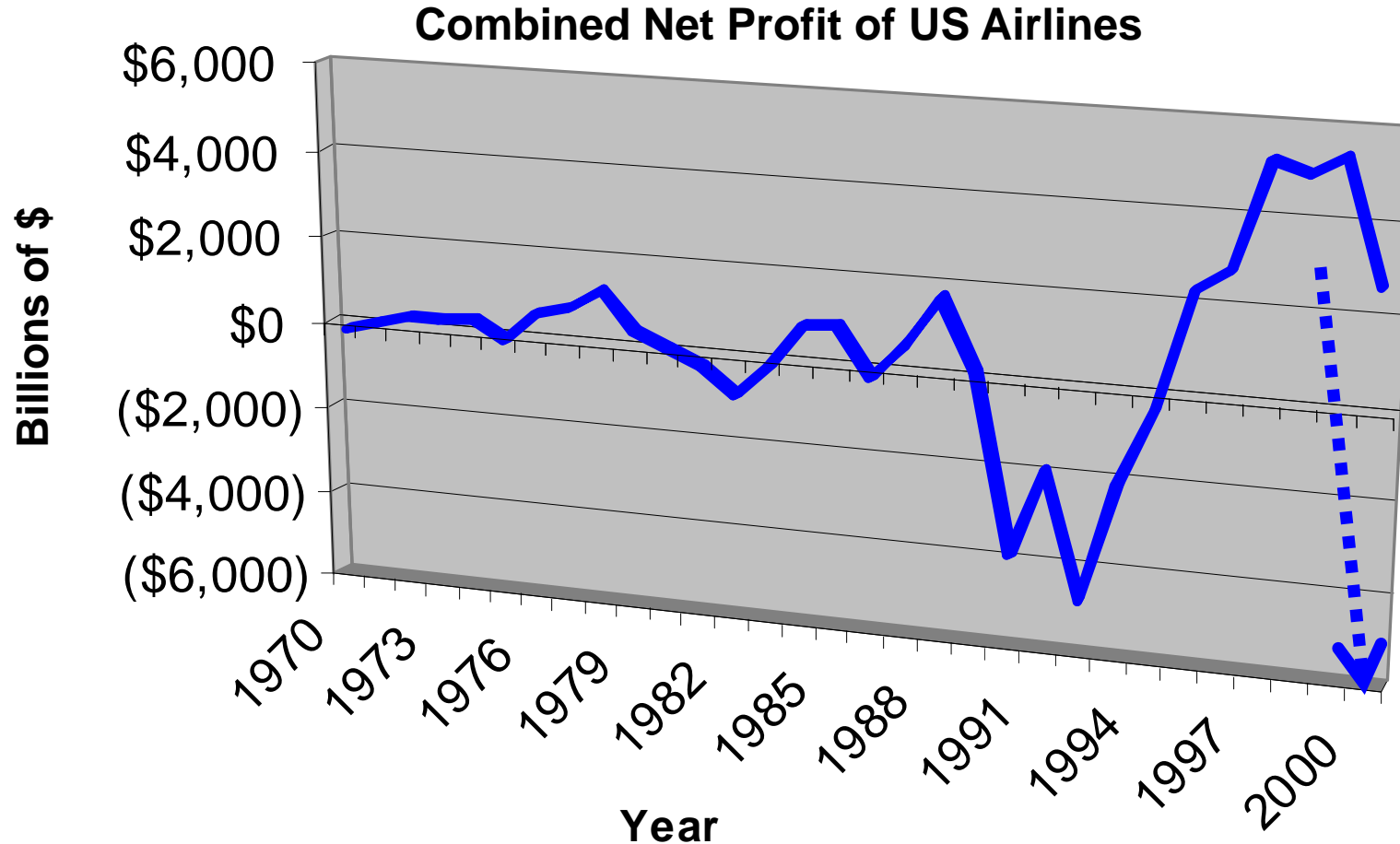
Figure 3. Revenue Per Employee



European productivity improved an impressive 45% between 1995 and 2002, whereas the U.S. industry has lost ground during the same period.

Macro Economic Drivers

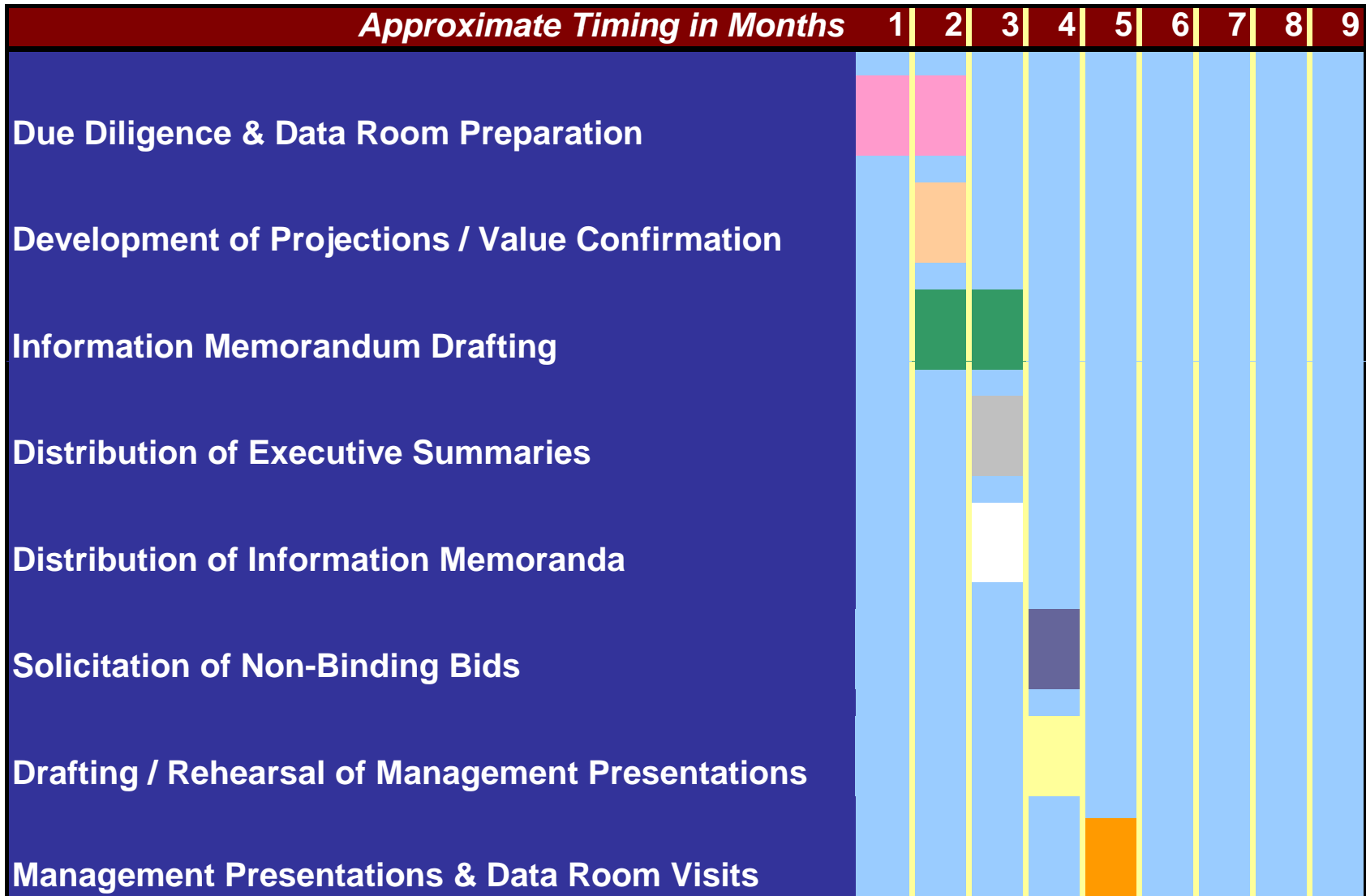
Outlook has been dismal for the past 6 months

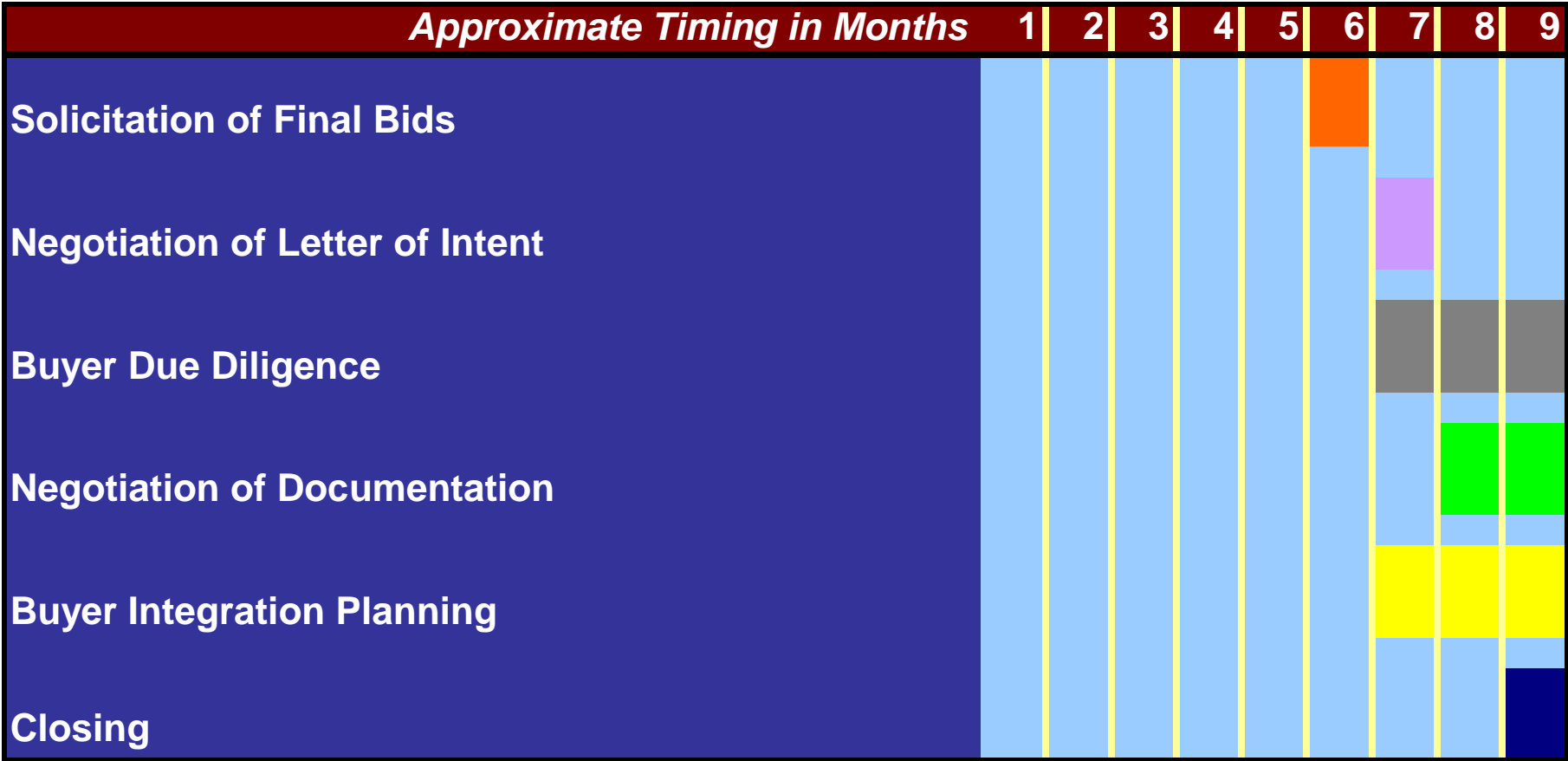


Source: Air Transport Association

How Companies Get Sold







VALUATION METHODOLOGIES

- INCOME METHOD
 - DCF
- MARKET VALUE METHOD
 - Revenue Multiple
 - EBITDA Multiple



INCOME METHOD

The Income Method assumes that an investor in a business will formulate their view of the value of a business based upon their expectation of the future income (or free cash flow) that the business will generate for the new owner. This type of valuation is highly sensitive to subjective assessments of the future performance of the business and to the appropriate discount rates and life of the company (often expressed in terms of a perpetuity or an estimate for exit multiple). This method is often commonly referred to as the Discounted Cash Flow method or “DCF.” What is most important herein is not the seller’s view of future performance but the buyers view. **The key is not the seller’s projections, but rather the buyer’s independently developed projections for the company.** Income method valuations are only accurate in predicting buyer behavior when the projections studied by the seller are similar to those developed by the buyers.

MARKET VALUATION METHOD

The Market Valuation Method assumes that there exists a market for companies similar to the subject company and the subject company should ‘trade’ at a comparable price. The greatest difficulty with this method is identifying companies like the subject company that have recently traded in the market and for which information is available regarding selling price and past financial performance. While this is usually readily available for public companies, it is often very time consuming and difficult to obtain this information for private companies. Alderman exerts considerable effort to track mergers and acquisitions of middle market companies in the aerospace and defense industry and maintains a substantial database of these transactions. This method is often commonly referred to as the Comparable Transactions method or “Comps.”

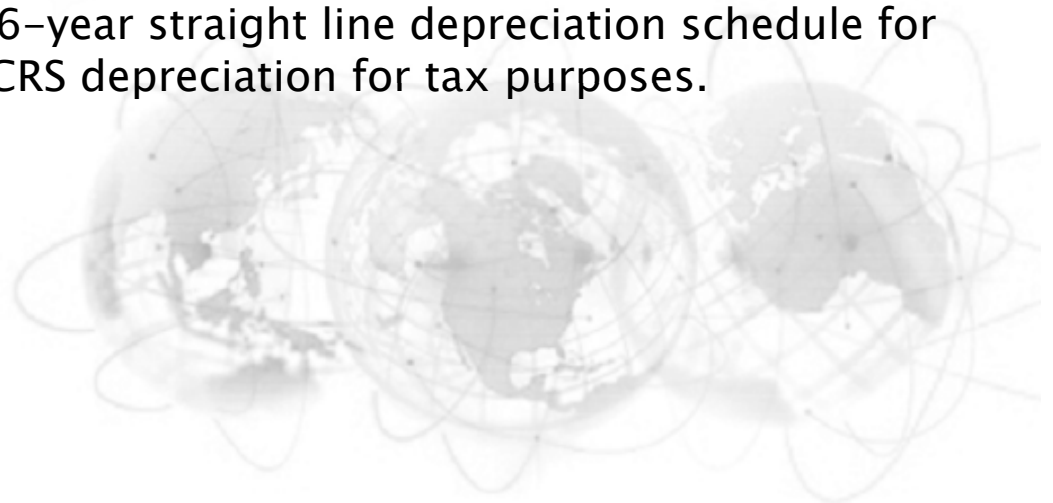
DCF MODEL ASSUMPTIONS

- **In the event that buyers do not find the projections to be reasonable, then the valuation based on these projections becomes erroneous and provides little or no insight into the prices that informed third- parties would be willing to pay.**
- Assumptions include:
 - Revenue growth
 - Gross Profit Margin



DCF MODEL ASSUMPTIONS (continued)

- Selling General and Administrative expenses without shareholder expenses (Adjusted “SGA”)
- Capital expenditure for projected years assumed to be \$325,000
- Depreciation determined using 6-year straight line depreciation schedule for book purposes and 7-year MACRS depreciation for tax purposes.
- Assumed tax rate



II. INCOME METHOD

PROJECTED INCOME STATEMENT

	<i>Actual</i>	<i>Estimated</i>	<i>Projected>>></i>				
	09/30/03	9/30/2004	9/30/2005	9/30/2006	9/30/2007	9/30/2008	9/30/2009
REVENUE	17,242,784	18,679,655	21,500,000	24,700,000	26,200,000	27,500,000	28,900,000
<i>% Change</i>	0%	8%	15%	15%	6%	5%	5%
NET REVENUES	17,242,784	18,679,655	21,500,000	24,700,000	26,200,000	27,500,000	28,900,000
<i>Growth Rate</i>							
COST OF GOODS SOLD	15,602,441	15,686,395	17,845,000	20,007,000	20,698,000	21,175,000	22,253,000
<i>As a % of Revenue</i>	90%	84%	83%	81%	79%	77%	77%
GROSS PROFIT	1,640,343	2,993,259	3,654,999	4,692,999	5,501,999	6,324,999	6,646,999
<i>Gross Margin %</i>	9.5%	16.0%	17.0%	19.0%	21.0%	23.0%	23.0%
SG&A	2,653,377	2,321,210					
<i>As a % of Revenue</i>	15.39%	12.4%					
SHAREHOLDER ADDBACKS	871,477	822,046	-	-	-	-	-
ADJUSTED SG&A	1,781,900	1,499,164	1,725,515	1,982,336	2,102,721	2,207,054	2,319,413
<i>As a % of Revenue</i>	10.3%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%
Depreciation & Amortization Addback	803,216	444,090	498,257	552,424	606,590	615,728	656,404
EBITDA	661,659	1,938,185	2,427,741	3,263,087	4,005,869	4,733,673	4,983,989
<i>EBITDA Margin</i>	3.8%	10.4%	11.3%	13.2%	15.3%	17.2%	17.2%
Depreciation & Amortization	803,216	444,090	498,257	552,424	606,590	615,728	656,404
EBIT	(141,557)	1,494,095	1,929,484	2,710,663	3,399,279	4,117,945	4,327,586
<i>Operating Margin</i>	-1%	8%	9%	11%	13%	15%	15%
Other Expenses							
Interest Expense	(391,625)	(249,420)	(223,611)	(221,087)	(184,653)	(179,694)	(179,694)
Other Expenses/(Income)	(28,768)	0	0	0	0	0	0
	(420,393)	(249,420)	(223,611)	(221,087)	(184,653)	(179,694)	(179,694)
Pre-tax Income	(561,950)	1,244,675	1,705,873	2,489,576	3,214,626	3,938,251	4,147,892
Book Taxes [1]	0	492,891	675,526	985,872	1,272,992	1,559,547	1,642,565
Net Income	(561,950)	751,784	1,030,347	1,503,704	1,941,634	2,378,704	2,505,327

Notes:

[1] Assumes corporate taxes at a book rate of 39.6% for modeling purposes

II. INCOME METHOD

BALANCE SHEET – Assets

ASSETS	9/30/2003	9/30/2004	9/30/2005	9/30/2006	9/30/2007	9/30/2008	9/30/2009
Cash & short term investments	64,922	165,978	1,063,291	1,752,134	3,174,616	5,310,222	7,567,350
Accounts receivable	3,287,047	3,071,993	3,535,818	4,062,079	4,308,764	4,522,558	4,752,797
Accounts receivable (related parties)	378,306	378,306	378,306	378,306	378,306	378,306	378,306
Inventory	7,931,389	7,932,456	7,657,534	8,120,548	8,613,699	9,041,096	9,501,370
Accounts receivable (related parties)	10,123	10,123	10,123	10,123	10,123	10,123	10,123
Other current assets	117,725	200,549	230,829	265,185	281,289	295,246	310,277
Total Current Assets	11,789,512	11,759,406	12,875,901	14,588,375	16,766,797	19,557,551	22,520,223
PP&E	13,507,577	13,832,577	14,157,577	14,482,577	14,807,577	15,132,577	15,457,577
Accumilated depreciation	11,519,156	11,904,726	12,344,463	12,838,367	13,386,437	13,988,674	14,645,077
Net PP&E	1,988,421	1,927,851	1,813,114	1,644,211	1,421,140	1,143,904	812,500
Development fee's	658,171	658,171	658,171	658,171	658,171	658,171	0
Accumilated ammoritization	410,600	469,120	527,640	586,160	644,680	658,171	0
Net Development Fees	247,571	189,051	130,531	72,011	13,491	0	0
Other Assets	47,019	47,019	47,019	47,019	47,019	47,019	47,019
Investments in securities available for sale	15,100	15,100	15,100	15,100	15,100	15,100	15,100
Related party note recievable	1,499,349	1,499,349	1,499,349	1,499,349	1,499,349	1,499,349	1,499,349
Advances to stockholders	500,753	500,753	500,753	500,753	500,753	500,753	500,753
Investments in affiliates	751,720	751,720	751,720	751,720	751,720	751,720	751,720
Total Other Assets	2,813,941	2,813,941	2,813,941	2,813,941	2,813,941	2,813,941	2,813,941
TOTAL ASSETS	16,839,445	16,690,249	17,633,487	19,118,538	21,015,369	23,515,395	26,146,664

II. INCOME METHOD

BALANCE SHEET – Assets

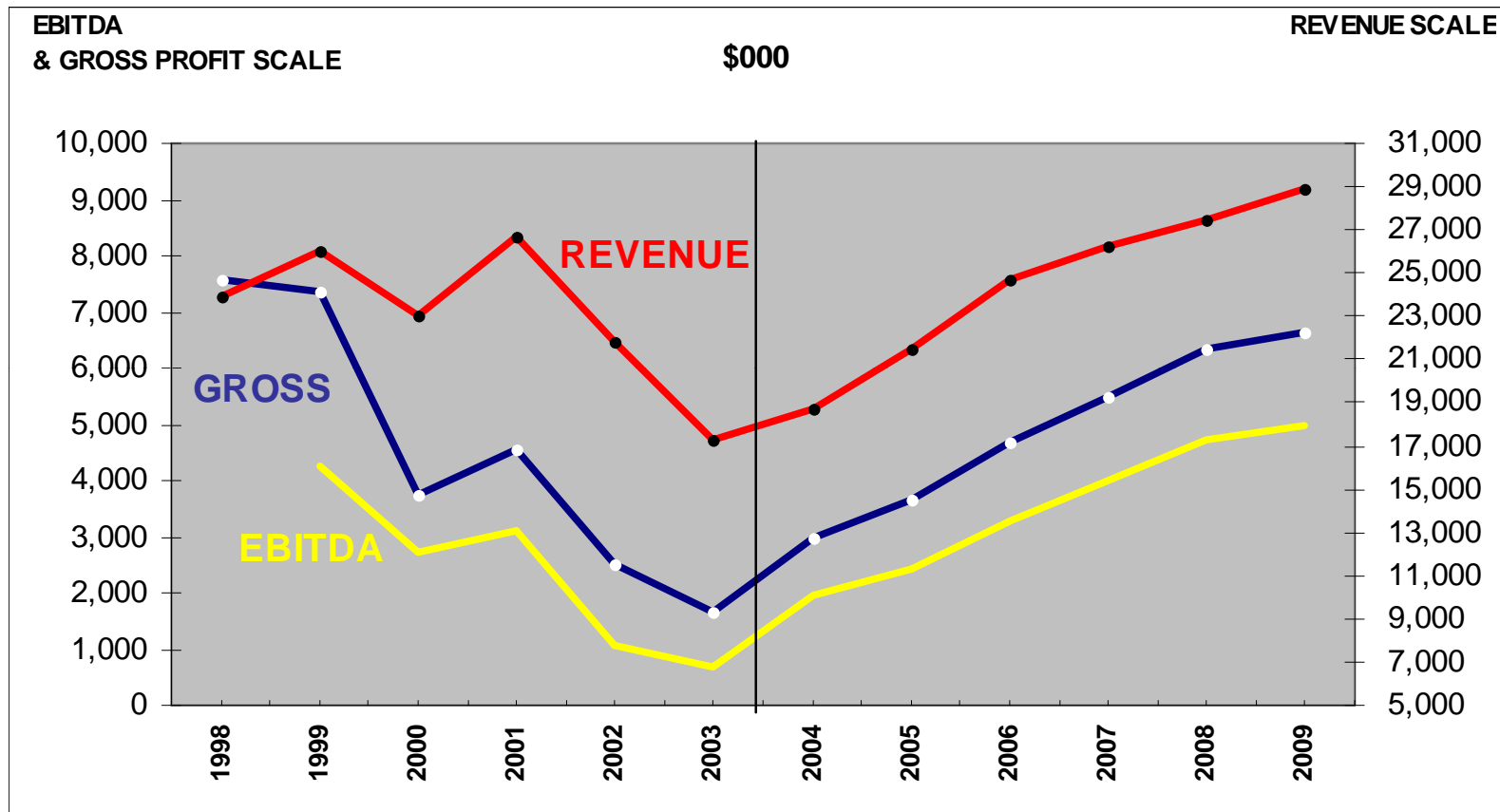
LIABILITIES							
	9/30/2003	9/30/2004	9/30/2005	9/30/2006	9/30/2007	9/30/2008	9/30/2009
Demand note payable	4,492,353	4,492,353	4,492,353	4,492,353	4,492,353	4,492,353	4,492,353
Accounts payable and Accrued Exp.	2,967,295	2,722,807	3,133,910	3,600,352	3,818,997	4,008,489	4,212,557
Accounts payable, related parties	109,656	109,656	109,656	109,656	109,656	109,656	109,656
Current portion of long term debt	634,719	566,824	499,648	233,345	0	0	0
Current portion of notes payable	147,071	147,071	147,071	147,071	147,071	147,071	147,071
Total Current Liabilities	8,351,094	8,038,711	8,382,638	8,582,777	8,568,077	8,757,569	8,961,637
Long Term Debt, Net of current portion	1,299,817	732,993	233,345	0	0	0	0
Notes Payable	617,009	617,009	617,009	617,009	617,009	617,009	617,009
Deffered Taxes	0	(21,773)	46,839	61,391	31,290	(36,880)	(115,007)
Total Long Term Liabilities	1,916,826	1,328,229	897,193	678,400	648,299	580,129	502,002
Total Liabilities	10,267,920	9,366,940	9,279,830	9,261,177	9,216,375	9,337,698	9,463,639
Common Stock	50,000	50,000	50,000	50,000	50,000	50,000	50,000
Additional paid-in capital	1,183,828	1,183,828	1,183,828	1,183,828	1,183,828	1,183,828	1,183,828
Retained Earnings	5,358,735	6,110,519	7,140,866	8,644,570	10,586,204	12,964,908	15,470,234
Members equity	3,021	3,021	3,021	3,021	3,021	3,021	3,021
Unrealized losses on investment in securities	(24,059)	(24,059)	(24,059)	(24,059)	(24,059)	(24,059)	(24,059)
EQUITY	6,571,525	7,323,309	8,353,656	9,857,360	11,798,994	14,177,698	16,683,024
TOTAL LIAB & EQUITY	16,839,445	16,690,249	17,633,487	19,118,538	21,015,369	23,515,395	26,146,664

II. INCOME METHOD

CASH FLOW

	Estimated	Projected>>				
	9/30/2004	9/30/2005	9/30/2006	9/30/2007	9/30/2008	9/30/2009
Opening Cash Balance	64,922	165,978	1,063,291	1,752,134	3,174,616	5,310,222
EBITDA	1,938,185	2,427,741	3,263,087	4,005,869	4,733,673	4,983,989
Working Capital Sources/(Uses)	(113,326)	191,920	(557,189)	(537,295)	(465,656)	(501,475)
CapX	(325,000)	(325,000)	(325,000)	(325,000)	(325,000)	(325,000)
Cash Available from Operations	1,564,781	2,460,639	3,444,189	4,895,708	7,117,633	9,467,736
Other	0	0	0	0	0	0
Cash Taxes	(514,664)	(606,914)	(971,320)	(1,303,094)	(1,627,717)	(1,720,692)
Interest Expense	(249,420)	(223,611)	(221,087)	(184,653)	(179,694)	(179,694)
Cash Available for Debt Pmt	800,697	1,630,115	2,251,782	3,407,961	5,310,222	7,567,350
Line of Credit Borrowings/(Repayments)	0	0	0	0	0	0
Debt Borrowings/(Repayments)	(634,719)	(566,824)	(499,648)	(233,345)	0	0
Other	0	0	0	0	0	0
	(634,719)	(566,824)	(499,648)	(233,345)	0	0
Ending Cash	165,978	1,063,291	1,752,134	3,174,616	5,310,222	7,567,350

II. INCOME METHOD



“Hockey-Stick” projections are often poorly received by buyers

II. INCOME METHOD

						Assumes Transaction as of:	12/31/2004
After Tax Discount Rate						14.00%	
Assumed Tax Rate						39.60%	
Terminal Growth Rate						4.5%	
Free Cash Flow							
	9/30/2005	9/30/2006	9/30/2007	9/30/2008	9/30/2009		
EBITDA	\$2,427,741	\$3,263,087	\$4,005,869	\$4,733,673	\$4,983,989		
- Depreciation	\$498,257	\$552,424	\$606,590	\$615,728	\$656,404		
EBIT	\$1,929,484	\$2,710,663	\$3,399,279	\$4,117,945	\$4,327,586		
- Taxes	\$764,076	\$1,073,423	\$1,346,114	\$1,630,706	\$1,713,724		
Net Operating Profit After Tax	\$1,165,408	\$1,637,241	\$2,053,164	\$2,487,239	\$2,613,862		
+ Depreciation	\$498,257	\$552,424	\$606,590	\$615,728	\$656,404		
- Increase/ + Decrease in Working Capital	\$191,920	(\$557,189)	(\$537,295)	(\$465,656)	(\$501,475)		
- Capital Expenditures	(\$325,000)	(\$325,000)	(\$325,000)	(\$325,000)	(\$325,000)		
Free Cash Flow	\$1,530,585	\$1,307,476	\$1,797,459	\$2,312,311	\$2,443,790		
Terminal Value							9/30/2009
						Free Cash Flow	\$2,443,790
						Perpetuity Factor	9.50%
						<i>as EBITDA Multiple</i>	5.16
						Terminal Value	\$25,724,105
Discounted Values							
	9/30/2005	9/30/2006	9/30/2007	9/30/2008	9/30/2009		
Year	1	2	3	4	5		
Discount Factors	1.10	1.26	1.43	1.63	1.86		
Nominal Cash Flows	\$1,530,585	\$1,307,476	\$1,797,459	\$2,312,311	\$28,167,894		
Discounted Free Cash Flow	\$1,387,445	\$1,039,650	\$1,253,853	\$1,414,682	\$15,118,236		
Theoretical DCF Enterprise Value as of 12/31/04						\$20,213,867	

Income Method Value: \$20 million

III. MARKET VALUE METHOD

Market prices paid for comparable companies (\$million):

Date	Buyer	Target	Price	Revenue		EBITDA	
				Revenue	Multiple	EBITDA	Multiple
Dec-04	Armor Holdings	Simula	110.50	73.40	1.51		
Aug-04	Arotech Corp.	Armour of America	22.00	16.00	1.38	6.70	3.28
Jun-04	Markland Technologies, Inc.	E-OIR Technologies, Inc. (EOIR)	19.00	42.70	0.44	3.17	5.99
May-04	Smiths Industries PLC	Dynamic Gunver	102.00	110.00	0.93		
May-04	Crane Co.	Signal Technology Corp.	138.00	86.70	1.59		
May-04	LMI Aerospace	Versaform	11.60	12.00	0.97		
May-04	UMECO PLC	Advanced Composites Group Holdings	81.90	64.20	1.28		
Apr-04	Heroux-Devtek, Inc.	Progressive, Inc.	57.60	28.50	2.02		
Feb-04	United Defense Industries, Inc.	Kaiser Compositek, Inc.	8.50	14.00	0.61		
Jan-04	Triumph Group	Rolls Royce Gear	36.00	55.00	0.65		
Dec-03	Meggitt Holdings PLC	Western Design Howden	45.00	49.30	0.91	8.30	5.42
Dec-03	Singapore Technologies Engineering	Miltope Group, Inc.	34.20	48.50	0.71	4.70	7.28
Oct-03	Cubic Corp.	ECC International Corp.	43.90	32.00	1.37		
Aug-03	Cobham PLC	Northrop Grumman Corp. - Life Support	73.00	43.70	1.67	9.80	7.45
Jun-03	EDO Corp.	Emblem Group Ltd. MBM Technology	29.20	25.20	1.16		
Jun-03	SPX Corp.	GenMech Aerospace	15.40	15.50	0.99		
Jun-03	Triumph Group, Inc.	United Aircraft Products	16.30	20.00	0.82		
May-03	CACI International, Inc.	Premier Technology Group, Inc.	49.00	43.40	1.13		
May-03	Anteon International Corp.	Information Spectrum, Inc. (ISI)	91.60	130.50	0.70		
May-03	Engineered Support Systems, Inc.	Technical and Management Services	65.90	115.00	0.57		
Feb-03	SAGEM	Leica Vectronix AG	43.00	54.00	0.80		
Jan-03	SRA International, Inc.	Adroit Systems, Inc.	40.00	42.80	0.93	4.00	10.00
Jan-03	Triumph Group, Inc.	Boeing Co. Spokane facility	42.20	60.00	0.70		
Dec-02	Cobham PLC / Chelton	BAE SYSTEMS PLC LPC business	48.20	40.20	1.20	6.40	7.53
Nov-02	Meggitt Holdings PLC	Lodge Ignition products	51.40	19.50	2.64	6.10	8.43
Nov-02	L-3 Communications Corp.	Westwood Corp.	28.10	52.10	0.54		

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III. MARKET VALUE METHOD

Market prices paid for comparable companies (\$million):

Date	Buyer	Target	Price	Revenue		EBITDA	
				Revenue	Multiple	EBITDA	Multiple
<i>- continued</i>							
Aug-02	Esterline Technologies, Inc.	UNIT of BAE SYSTEMS	67.50	45.00	1.50		
Apr-02	Curtiss-Wright Corp.	Spirent plc Aerospace Solutions	59.50	62.20	0.96		
Apr-02	Triumph Group, Inc.	Ozone Industries, Inc.	13.30	15.00	0.89		
Apr-02	California Amplifier, Inc.	Kaul-Tronics, Inc.	22.00	36.00	0.61		
Oct-01	JATA LLC	Napco International Corp.	6.50	30.10	0.22		
Sep-01	Titan Corp.	Datron Systems, Inc.	48.90	62.30	0.78		
Aug-01	Triumph Group, Inc.	Emco Fluid Systems	38.20	30.00	1.27		
Jun-01	Wardle Storeys PLC	Hunting PLC Irvin Group	25.20	47.10	0.54	4.50	5.60
May-01	Tyco International	Scott Technologies	400.00	264.00	1.52	45.70	8.75
Mar-01	Babcock International Group PLC	Hunting PLC HCS, HTS	88.90	82.80	1.07		
Jan-01	GKN PLC	Boeing Co. facility	64.10	300.00	0.21		
Oct-00	Thomson-CSF	W. Vinten Ltd.	17.10	25.10	0.68		
Sep-00	Standard Automotive Corp.	Providence Group, Inc.	3.10	5.40	0.57		
Aug-00	Barnes Aerospace	Kratz Wilde & Apex Manufacturing	41.00	44.00	0.93		
May-00	Meggitt Holdings PLC	S-TEC Corp.	27.00	17.50	1.54		
May-00	Paravant, Inc.	Tri-Plex Systems Corp.	7.10	5.00	1.42		
Apr-00	EDO Corp.	AIL Technologies, Inc.	82.40	148.40	0.56		
Jan-00	Smiths Industries PLC	Invensys	175.00	120.00	1.46	19.00	9.21
Jul-99	Ultra Electronics Holdings PLC	Advanced Programming Concepts, Inc.	9.50	9.00	1.06		
Jul-99	Meggitt Holdings PLC	Whittaker Corp.	380.00	131.50	2.89	62.00	6.13
Jun-99	Standard Automotive Corp.	Ranor, Inc. Group	28.80	41.10	0.70		
Apr-99	Triumph Group, Inc.	Ralee Engineering Co.	32.20	20.00	1.61		
Mar-99	United Technologies Corp.	IMI Marston Aerospace division	26.00	30.00	0.87		
Jul-97	Magellan Aerospace Corp.	Bristol Aerospace Ltd.	46.20	85.00	0.54		
Mar-97	BFGoodrich Co. Aerospace	Gulton Data Systems	23.00	25.00	0.92		
Averages			59.53	58.35	1.05	15.03	7.09

IV. CONCLUSIONS

General Comments

- We gain confidence in a valuation when **all** of the methods utilized fall within a narrow range.
- We do not have high levels of confidence in a valuation when one or more of the valuation methods produces substantially different results.
 - We often find substantial variance in the methods when a company expects near term financial results to be substantially different than the recent past.

Intermediate-Term Forecast

1. Traffic will continue to increase
2. Airline yields will continue to fall in real terms
3. Parked “young” aircraft will return to service
4. Aircraft build rates will rise
5. Efficient suppliers will gain market share at the cost of weakening competition

Forecast

6. Banks will return to industry, supporting only the the strong and efficient
7. Supplier failures will continue at high rates
8. M& activity will increase
9. Small highly profitable world class suppliers will thrive
10. Small suppliers with declining sales and profits will find it hard to turn the tide

Contact Details

Alderman & Company provides objective financial advice to aerospace industry stakeholders seeking to maximize value.

We stand for: Objectivity. Clarity. Our Client's success.

Our clients include stakeholders of companies involved in manufacturing, distribution and services in the commercial aviation, defense aviation, general aviation, and space industries.

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